

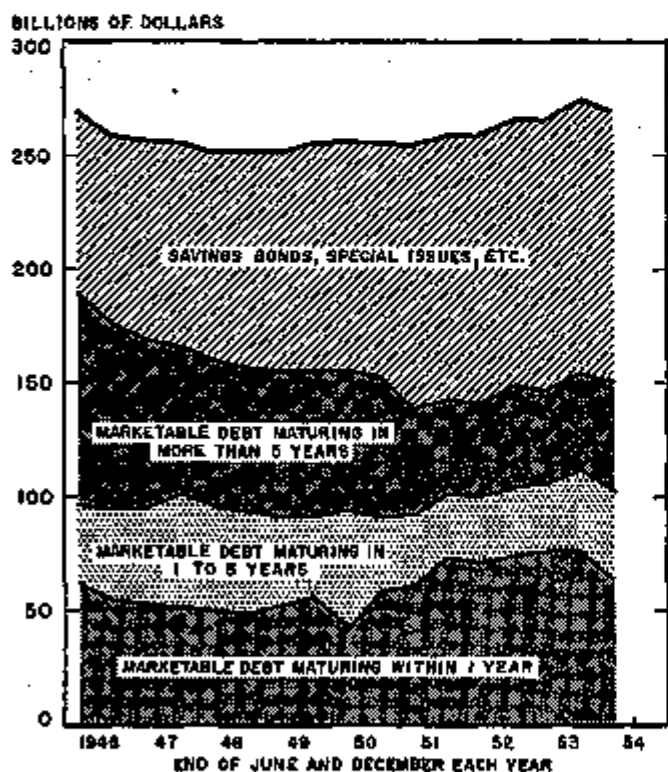
Private and Public Debt in 1953

THE total of net public and private debt reached \$685 billion at the end of last year. Net public debt accounted for about two-fifths of the aggregate, corporation debt for about one-third, and individuals' and noncorporate business debt for one-fourth.

The overall increase during 1953 was \$29½ billion. The rate of rise for the year was just under 5½ percent, compared with nearly 6 percent in 1952. Previous annual rates of expansion had been larger, amounting to 7 percent in 1951 and 9½ percent in 1950.

Composition of Federal Debt

Subject to statutory limitation,
semiannually, 1946-54



As in most recent years, the bulk of the increase during 1953 occurred in private obligations. Net private debt rose 7 percent; net public debt, 3 percent.

Private indebtedness accounted for 58 percent of total net debt at the end of last year. This fraction compares with 55 percent at the end of the previous year, 47 percent in 1949, and the wartime low of 34 percent in 1945. The sustained advance in the percentage has reflected the general postwar expansion of business and investment activity.

NOTE.—MR. OSBORNE AND MR. GORMAN ARE MEMBERS OF THE NATIONAL INCOME DIVISION, OFFICE OF BUSINESS ECONOMICS.

The \$21½ billion increase in private debt last year was accompanied by the investment of \$25½ billion in new housing and business plant, \$24½ billion in producers' durable equipment, and a rise of \$10 billion in private holdings of cash, deposits, and U. S. Government securities.

Gross debt, before consolidation of borrowers' accounts as explained in the technical note to this report, reached a total of \$683 billion at the end of 1953. During the year, gross Federal, State and local government debt moved up 4 percent to \$322 billion, and gross private debt rose nearly 7 percent to \$361 billion.

Changes in debt composition

All major debt categories increased in 1953 (see table 1). The broad pattern of change was similar to that recorded in 1952, reflecting the continuation of basic postwar trends in the Nation's economic growth. In each year, government net debt advanced about 3 percent, with the Federal debt rising by 2 percent and State and local debt by 11 percent. Corporate debt increased about 4½ percent during 1953 as compared with 5 percent the year before. Noncorporate business and personal debt rose 10 percent last year as against 13 percent in 1952. Slowing of the expansion in this last category is largely traceable to a drop in net new borrowing by consumers, which had spurted in 1952 with the relaxation of credit controls.

Partial data indicate that the uptrend of total debt was checked in the first half of 1954. There was a general contraction of short-term credit, partly seasonal in nature, and a considerable slowing in the rise of most types of private long-term indebtedness.

Net government debt apparently declined about 2 percent, as a drop in short-term Federal liabilities—partly seasonal and partly due to refinancing into longer-term issues—more than offset a growth in long-term debt and a continued sharp rise in State and local obligations. Corporate net debt was reduced around 7½ percent, the liquidation affecting bank loans, trade payables, and tax liabilities, while long-term debt expanded slightly. Noncorporate liabilities rose 2 percent; this movement was dominated by the advance of over 5 percent in nonfarm mortgages, and occurred in spite of declines in the totals of commercial and consumer credit outstanding.

While all of the short-term debt series mentioned—with the single exception of consumer credit—recorded decreases in the first half of last year also, in each case the drop this year was considerably more pronounced. Apparent reasons vary from category to category. A decline in transactions of types commonly credit-financed has played a part. Liquidation of inventories has affected the credit needs of business. Refinancing into longer-term obligations was a factor in the case of the Federal Government and certain other classes of borrowers. Finally, there seems to have been a somewhat more conservative attitude than previously toward the use of credit in financing consumer purchases.

Tables 1 and 2.—Public and Private Debt (Net and Gross), End of Calendar Year, 1945-53¹

(Billions of dollars)

End of year	Public and private, total	Public			Private									
		Total	Federal*	State and local	Total	Corporate			Individual and noncorporate					
						Total	Long-term	Short-term	Total	Mortgage		Nonmortgage		
										Farm	Nonfarm	Farm	Nonfarm	
Table 1.—Net Public and Private Debt														
1945	400.4	201.4	252.7	13.7	130.9	55.3	31.3	47.0	54.0	4.9	27.0	2.5	28.4	
1946	387.4	213.3	225.7	13.6	124.1	55.5	41.2	32.3	50.0	4.9	32.4	2.9	28.5	
1947	417.9	237.7	225.3	12.4	150.2	105.9	94.1	32.9	71.3	0.1	34.7	3.7	24.0	
1948	434.0	247.7	215.0	10.2	201.3	117.5	72.6	65.3	85.0	0.3	45.1	5.0	27.0	
1949	445.1	250.7	215.0	15.1	211.4	118.0	76.5	61.0	93.1	0.0	50.0	5.0	28.8	
1950	498.7	285.4	218.7	20.7	251.3	142.1	80.1	81.9	168.2	0.1	58.3	6.1	37.0	
1951	523.7	241.5	218.5	23.0	254.9	162.6	85.8	87.3	175.3	0.5	67.4	7.0	38.4	
1952	559.1	249.7	222.9	24.8	307.4	171.7	78.2	94.5	187.7	7.2	75.1	8.0	45.6	
1953	585.5	258.7	228.1	26.6	328.8	178.2	72.4	100.0	198.4	7.7	83.6	9.1	49.0	
Table 2.—Gross Public and Private Debt														
1945	452.3	209.2	282.6	10.0	144.1	89.5	45.3	54.2	14.8	4.8	27.0	2.5	26.4	
1946	457.8	222.0	272.1	14.0	148.9	103.2	49.4	60.9	62.5	4.9	32.4	2.9	28.5	
1947	497.7	260.5	259.8	12.8	159.5	125.2	95.0	73.2	71.3	5.1	34.7	3.7	24.0	
1948	516.0	278.7	253.0	15.7	227.3	129.8	82.8	75.0	82.5	5.3	45.1	5.0	27.0	
1949	530.5	297.0	264.1	20.9	233.0	150.6	87.7	71.8	92.4	5.0	50.0	5.0	28.8	
1950	596.6	290.8	268.4	24.3	270.2	167.0	72.2	94.8	169.2	6.1	58.3	6.1	37.0	
1951	609.8	257.2	270.2	27.0	312.1	191.5	79.5	112.3	120.5	6.6	67.4	7.0	38.4	
1952	647.0	265.9	270.2	29.6	339.1	202.4	67.9	114.5	135.7	7.3	75.1	8.0	45.6	
1953	682.3	292.8	289.3	32.7	380.3	211.4	64.2	116.1	149.4	7.7	83.6	9.1	49.0	

¹Excludes categories of debt not subject to the statutory debt limit.²Data for State and local governments are for June 30 of each year.³Data are for noncorporate borrowers only. (See table 5.)⁴Comprises unsecured farm debt contracted for productive purposes and owed to institutional lenders (includes C. O. C. loans).⁵Comprises debt incurred for commercial (nonfarm), financial and consumer purposes, including debt owed by farmers for financial and consumer purposes.

Source: U. S. Department of Agriculture, Agricultural Research Service; U. S. Department of Commerce, Bureau of the Census and Office of Business Economics.

Credit conditions ease after mid-1953

Nearly all selective credit controls having been discontinued in 1952, the availability of credit and the movement of interest rates during 1953 were determined largely by the course of general business activity and the concurrent Federal monetary policies.

A relatively tight money situation prevailed during most of the first half of last year, with member bank borrowings higher than excess reserves, the Reserve bank discount rate on advances secured by Government obligations up to 2 percent, and demand for credit strong as business expanded. The maximum permissible rates on loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration were raised to 4½ percent and corporate, municipal, and Treasury borrowing was at higher interest rates than previously. By midyear, yields on marketable forms of debt were generally the highest since the end of World War II.

In the second half of the year, a decline in business activity combined with an easier Federal Reserve policy to reverse the situation in the credit market. The Reserve System made substantial open market purchases in May, June, and July and lowered reserve requirements in July. By year-end, the member banks were largely out of debt to the System. While supply conditions were eased in the money markets, business demand for credit softened in the second half. Bank loans to business rose less than seasonally in the third quarter and declined contra-seasonally in the fourth. Interest rates and bond yields receded with these developments, and the credit supply situation became more favorable to new borrowing.

Federal debt edges upward

A 3½ percent rise during 1953 in the outstanding direct obligations of the Treasury and other Federal agencies added \$10 billion to gross Federal debt. Just under half this sum

was borrowed from sources within the Government, leaving a balance of somewhat more than \$5 billion to be obtained from investors, including the banking system. Security issues to cover this balance brought the net Federal debt up from slightly under \$223 billion at the beginning of the year to just over \$228 billion at the end.

About \$2 billion of the increase in total gross debt involved borrowing by Federal agencies other than the Treasury, and reflected largely the price support program of the Commodity Credit Corporation. In total, such agencies' needs for credit were more than covered by loans from the Treasury, and agency net debt to the public declined fractionally during the year.

Eight billion dollars of the increase in the Federal gross debt total was in direct obligations of the Treasury, and stemmed from the budgetary deficit. This deficit amounted to over \$9 billion in the calendar year 1953, up \$3½ billion from the year before, as defense expenditures reached their peak. However, the rise in the deficit was matched by a swing in the Treasury cash balance, which increased during 1952 and was reduced during 1953, and the scale of borrowing was similar in both years. Social security and other Federally administered funds took about \$2½ billion of Treasury obligations last year, as compared to \$3½ billion in 1952. Borrowing from outside sources (i. e., the increase in net debt) supplied the remainder of the funds needed. These and related transactions are summarized in the accompanying text table.

	Calendar year	
	1952	1953
(Billions of dollars)		
Budgetary deficit	5.8	9.2
Plus: Increase (+) or decrease (-) in cash balance	+1.8	-1.5
Clearing account, etc.	.4	.1
Equals: Net borrowing	8.0	7.8
Intra-Government	3.6	2.4
From other sources	4.4	5.4

The chief outside suppliers of funds to cover last year's deficit were personal investors, State and local governments.

nonfinancial corporations, and the Federal Reserve banks. Holdings of each of these groups increased by more than \$1 billion. Insurance companies and mutual savings banks reduced their holdings of Treasury securities, and commercial bank purchases in the second half of the year were largely in replacement of securities liquidated during the first half. As compared with 1952, the main shifts in the pattern of fund sources were a rise in net purchases by nonfinancial corporations and personal investors and the reduced rate of investment by commercial banks.

Problems of debt management

Shadings in the accompanying chart indicate the maturity structure of the marketable Federal debt, while the total of marketable and nonmarketable types shown is the amount subject to statutory limitation.

A ceiling of \$275 billion was in effect throughout the period covered by this chart, with obligations not issued or guaranteed by the Treasury generally excluded but with no exclusion of Treasury securities held in U. S. Government investment and trust accounts. Under the pressure of rising military and other national security expenditures, the balance issuable within the limitation dwindled from \$18 billion in June 1950 to about \$8 billion at the end of calendar 1952, and to less than \$4 billion at the end of 1953. In recent years this margin has generally expanded somewhat with the annual seasonal peaks of tax collections, which have permitted temporary reductions in Treasury short-term debt between January and June, and has contracted again from July to December. Thus by mid-1954 the margin had increased to an estimated \$4 billion. This figure may be compared with the margin of \$9½ billion a year earlier.

A bill raising the limitation from \$275 billion to \$281 billion until June 30, 1955, became law in late August 1954.

In meeting the financial requirements of World War II and the postwar period the Treasury incurred a large volume of short-term debt, which has had to be refinanced each year, and of medium-term debt which has fallen due at intervals during the postwar period.

About one-half the marketable securities outstanding at the beginning of 1952 fell due within the year, and this situation recurred in 1953. In 7 of the 9 major financing operations (excluding seasonal tax anticipation borrowing) carried out by the Treasury during 1953 and the first half of 1954, some lengthening of the debt has taken place. During 1953 these operations sufficed to keep the volume of 1-year maturities from rising significantly, and the stepped-up 1954 program combined with seasonal factors to reduce their total one-sixth, to \$63½ billion, in the first half of this year.

State and local debt continues rise

The net debt of State and local governments continued its rapid postwar expansion with an increase of 11 percent during the fiscal year ending in mid-1953, and partial data suggest that the increase continued at an even more rapid rate during the year ended in June 1954. (Comprehensive statistics of State and local government debt, unlike the other data used in this report, are not compiled on a calendar year-end basis.) Since the end of World War II, State and local debt has approximately doubled.

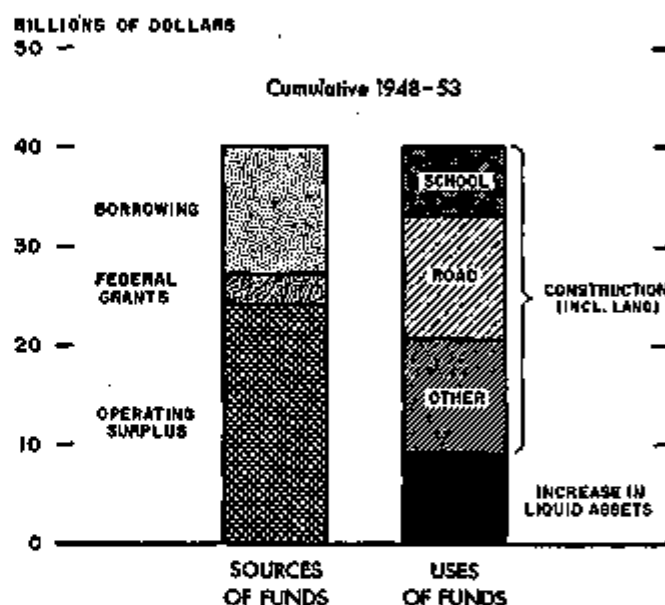
Borrowing by State and local governments has generally been undertaken for the purpose of financing capital improvements. In the accompanying chart, such borrowing over the 5-year period ending in June 1953 is shown in the perspective of the sources and uses of investment funds of these governments. Although some of the estimates are merely rough approximations, they suffice to show that credit has

been secondary to saving as a source of new capital, and that such new capital has been invested primarily in school, street and highway, and other fixed facilities.¹

The need for such facilities has been and continues urgent, both because of the postponement of construction from previous years and because of the rapid postwar rise in the school-age population and in motor vehicle traffic. At the same time, rising property values and the extension of the property tax base through new private building have operated in numerous jurisdictions to raise statutory debt limits tied to this base. With the large increases in debt during recent years, such limits continue to exert a restraining influence, however, in some areas.

State and Local Governments

Sources of funds to finance construction and add to liquid assets *



* FOR DEFINITIONS SEE TEXT FOOTNOTE 1

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The chart also indicates a considerable expansion in the liquid asset holdings of State and local governments. The importance of these government accounts in the financing of the Federal deficit last year has already been noted. Their growth reflects a number of factors, including the requirements of sinking funds, the rise in working capital needs, the temporary investment of funds intended eventually to pay for capital improvements, and the expansion of retirement funds for public employees.

Gross State government debt expanded more rapidly, both dollar- and percentage-wise, in the fiscal year 1953 than in 1952. About three-fifths of the rise in gross debt last year was to finance the construction of toll roads. Borrowing for this purpose has become increasingly important in the past few years, and accounted for nearly one-fifth of the total outstanding at year-end.

Three-fourths of the rise in total gross debt of State governments during fiscal 1953 was accounted for by four States—California, New Jersey, Ohio, and Pennsylvania. Toll road borrowing was a significant factor in each case.

1. "Borrowing" in the chart represents the increase in gross debt during the five fiscal years, less an estimated \$1.1 billion borrowed to finance bonus payments to war veterans. The Federal grants-in-aid shown include only those associated with capital improvement programs. "Operating surplus" is calculated as the State and local government surplus on income and product account before credits to the Federal grants and before expenditures for bonus payments financed by current borrowing and outlays for land and new construction.

The dollar increase in *local government debt* during the fiscal year 1953 was the largest on record, as these subsidiary governmental units continued to face a large backlog of construction needs accumulated during the years of depression, war, and postwar population growth.

School district borrowing led the expansion, as it has for the past 7 years. Moreover, a considerable portion of the debt incurred during the year by other local units was probably also for schools. The rate of new construction for educational purposes was at a record high during the year ended in June 1953, and in fiscal 1954 it was 15 percent higher still.

The cost and availability of funds to State and local governments were affected by the relative tightness of the capital market during the year ending in June 1953. The large volume of new flotations in the first half of calendar 1953, combined with the demands for funds by other sectors of the economy, exerted a sustained upward pressure on municipal bond yields, which by June 30 last year were around 40 percent higher than at the same point in 1952, and the highest since the end of World War II. Under these circumstances, some of the planned flotations were postponed.

With the easing of credit conditions after mid-1953 and the decline in government bond yields which continued during the ensuing three quarters, State and municipal offerings for cash were in larger volume during each quarter of fiscal 1954 than in the corresponding periods a year earlier. Flotations

in the April-June quarter were the highest on record, 60 percent above the same months of 1953.

Corporate debt rise moderates

Corporate net debt rose \$7½ billion last year, \$½ billion less than during 1952. The 1953 increase centered in long-term issues, reflecting the trend in the use-pattern of corporate funds. (See discussion in last month's SURVEY.) While plant and equipment outlays expanded, the growth of working capital requirements has become progressively less with each year since its spurt upon the outbreak of the Korean hostilities.

Long-term net debt rose \$6 billion during 1953, to a total of \$79½ billion at year-end. The increase in 1952 had been somewhat larger, amounting to about \$7 billion. While plant and equipment expenditures were up last year, funds available from retained profits and capital consumption allowances were also higher. These internal sources of funds accounted for about two-thirds of the total new capital applied to all purposes, in the corporate sector as a whole. Their moderate rise in relative importance last year was due partly to increased earnings and partly to the growth of the stock of assets subject to depreciation or emergency amortization charges.

The decline from 1952 in the net amount of long-term borrowing was confined to bank loans. The value of corporate bonds outstanding rose last year by about the

Table 3.—Gross and Net Federal Government Debt, End of Calendar Year, 1945-53

(Millions of dollars)

End of year	Gross debt						Duplicating debt					Net debt			
	Federal Government and Federal agency, total ¹	Federal Government				Federal agency ²	Federal Government and Federal agency, total	Federal Government securities held by Federal agencies and trust funds	Federal agency securities ⁴			Federal Government and Federal agency, total	Federal Government	Federal agency	
		Total	Interest bearing		Non-interest bearing ³				Total	Held by U. S. Treasury	Held by other Federal agencies				
			Total	Public issues											Special issues
1946.....	292,899	228,114	275,083	255,893	20,000	2,421	14,485	30,857	27,441	13,816	11,775	1,041	283,742	281,973	1,499
1946.....	272,147	250,149	287,649	259,904	24,585	1,500	12,998	43,288	30,913	11,485	10,695	792	229,749	229,236	1,513
1947.....	299,753	280,000	354,204	225,269	28,958	2,685	12,863	49,435	34,352	12,063	11,960	243	225,219	222,549	770
1948.....	257,904	252,800	330,580	218,866	31,714	2,220	8,194	41,510	37,817	4,186	3,933	560	319,484	315,693	1,001
1949.....	266,067	257,130	295,019	231,123	33,896	2,111	8,937	47,483	30,846	8,137	7,304	833	316,584	317,784	800
1950.....	286,416	260,708	354,283	326,576	33,707	3,434	9,707	47,718	30,197	8,590	8,470	46	318,793	317,511	1,194
1951.....	270,188	250,419	287,070	321,109	35,002	3,349	10,709	51,089	43,291	9,348	9,293	80	218,549	217,128	1,511
1952.....	279,817	267,301	355,293	328,143	39,150	3,095	11,020	50,486	45,883	16,643	10,498	47	222,881	221,498	1,383
1953.....	289,807	275,365	372,381	321,834	41,747	3,237	14,120	51,198	46,313	12,883	12,547	26	228,112	226,555	1,267
1954 (Aug. 31).....	(5)	274,565	272,803	238,214	42,479	3,293	(5)	49,892	49,892	(5)	(5)	(5)	226,363	(5)	(5)

¹ Includes categories of debt not subject to the statutory debt limit.

² Includes matured debt on which interest has ceased.

³ Bonds, debentures, and notes payable, including securities held by U. S. Treasury.

⁴ Bonds, debentures, and notes payable.

⁵ Federal agency securities held in Federal trust funds were less than \$500,000 in all years shown.

⁶ Not available.

Source: U. S. Treasury Department.

Table 4.—Gross and Net State and Local Government Debt, June 30, 1945-53

(Millions of dollars)

End of fiscal year	Gross debt							Duplicating debt ¹			Net debt		
	State and local, total ²	State	Local					State and local, total	State	Local	State and local, total	State	Local
			Total	County	City and township	School district	Special district						
1945.....	16,059	3,425	14,104	1,546	8,589	1,365	2,897	2,864	1,918	1,618	12,735	1,379	12,346
1946.....	15,322	2,849	13,594	1,417	8,267	1,283	2,597	2,849	794	1,555	12,673	1,004	11,669
1947.....	16,825	2,978	13,847	1,481	8,275	1,355	2,739	2,425	804	1,624	14,897	2,174	12,723
1948.....	16,702	3,723	14,080	1,406	8,135	1,580	2,577	2,478	851	1,625	16,236	2,871	13,365
1949.....	20,870	4,024	16,681	1,603	9,596	2,157	3,196	2,726	979	1,760	16,159	3,094	13,065
1950.....	24,181	5,363	18,580	1,707	11,247	2,710	3,195	3,485	1,898	2,070	20,723	3,968	16,755
1951.....	27,949	6,373	20,957	1,675	12,132	3,257	3,493	3,085	1,952	2,211	25,547	4,591	20,956
1952.....	28,524	7,049	22,894	1,698	12,897	3,961	3,500	3,212	1,105	2,857	25,771	4,570	21,201
1953.....	32,738	8,041	24,734	(5)	(5)	(5)	(5)	4,170	1,828	2,548	28,688	5,378	23,310

¹ Includes State loans to local units.

² Comprises State and local government securities held by State and local governments.

³ Data for 1950-53 are not strictly comparable with 1949 and earlier years. (See "Governmental debt in 1953," Bureau of the Census, December 1951.)

⁴ Not available.

Source: U. S. Department of Commerce, Bureau of the Census and Office of Business Economics.

same amount as during 1952, a \$½ billion dip in new issues balancing a similar dip in retirements. Manufacturing corporation issues, which were in very large volume in 1952, fell off about 40 percent, while finance company flotations rose sharply.

During the first half of last year a near-record volume of new corporate issues came on the market, at a time when demand from governmental and other borrowers was also high. Corporate flotations encountered difficulty, and underwriting losses occurred. In some cases corporations voluntarily withdrew or cancelled bond offerings which had been prepared for sale. Some of the postponed issues were floated in the second half, when bond prices were up as the market situation eased, and fourth-quarter flotations were in substantial volume.

Total short-term corporate debt rose \$1½ billion last year. This advance was confined to obligations other than notes and accounts payable. To a large extent it represented the higher accrued liability for Federal income taxes resulting from larger profits in 1953. The total of notes and accounts payable did not recover fully from its first-half decline, and was down \$½ billion at year-end.

The balance sheet position of corporate business in the aggregate seems to have been somewhat strengthened as a result of the financial changes during 1953. The expansion in equity capital exceeded that in total debt. The ratio of current assets to current liabilities rose, and that of cash and Federal securities held to current liabilities likewise increased after having declined in 1950, 1951, and 1952.

Mortgage debt expansion continues

Nonfarm mortgage debt (other than corporate) amounted to \$33½ billion at the end of 1953. Last year's \$8½ billion advance was one of the largest ever recorded. Four-fifths of the expansion was in mortgage debt on 1- to 4-family residential property. This fraction was about the same as in other recent years.

The overall increase in mortgage debt on housing property (see table 6) reflected the improved availability of credit after midyear as well as the population growth and other trend factors which have helped to sustain the demand for new housing as the backlog of deferred needs which stimulated construction in the early postwar years has dwindled. The dollar volume of sales of new and existing houses during 1953 was substantially higher than in any other recent year, and new home mortgages written amounted to a total on the order of \$20 billion. Repayments on existing mortgage loans last year are estimated at \$12½ billion.

From the end of 1945 through 1953, about 8 million dwelling units valued at a total of \$74 billion were added to the Nation's stock of nonfarm housing, and the market value of the units already in existence rose considerably. Debt on new and old housing combined increased approximately \$54 billion in this period. During 1953 alone, about \$12 billion was spent for new residential construction, and the net addition to total residential mortgage debt was around 70 percent as much—a proportion just slightly lower than for the 8-year period as a whole.

About one-half of all owner-occupied dwellings are mortgaged, with the equity of the average mortgagor amounting to somewhat more than his mortgage debt. The owners' equity in newly acquired homes is relatively smaller, of course, ranging down to negligible proportions in some cases, but in new 1-family dwellings purchased last year with the aid of FHA-insured mortgages, for example, the owners' initial equity averaged about one-fifth of the value. In 4 out of 5 of all nonfarm homes held less than 2 years by the present owners, the equity amounted to one-fourth or more of value.

The total liability of mortgagor homeowners for property taxes and scheduled mortgage payments last year is estimated very roughly at around one-sixth of their disposable income. Only about 1 mortgagor family in 4 has committed as much as 20 percent of disposable income for these purposes, and only 1 in 12 has committed as much as 30 percent, according to a survey made early this year for the Federal Reserve Board.

Total fixed expenses for housing, inclusive of maintenance and utility costs, of 1953 new-home buyers using FHA-insured mortgages are estimated at around one-fifth of before-tax income. The proportion of housing cost in this group was highest for the 2 percent of such borrowers with income under \$3,000, where it averaged nearly 30 percent.

All types of lenders increased their holdings of 1-4 family mortgage loans during 1953. As in 1952, savings and loan associations were the principal sources of new funds for such loans, being responsible for slightly under one-half of the net increase in the total outstanding. Mutual savings banks replaced life insurance companies as the second most important supplier of funds last year.

Outstanding mortgage debt (including corporate obligations) on commercial and multifamily residential properties advanced more than \$2 billion in 1953, recording a greater increase than in either 1951 or 1952.

More than half the rise in financial institutions' holdings of such debt was secured by commercial properties. The \$0.7 billion advance last year in holdings of mortgages on commercial realty equalled those of 1950 and 1951 and was somewhat greater than that recorded in 1952. About \$0.3 billion of the new money was supplied by life insurance companies.

Multifamily residential debt held by financial institutions rose only \$½ billion in 1953. This was the smallest increase since 1947, and less than half that of 1951. Retardation of growth in this type of debt reflects the curtailment of multifamily building after 1951, and probably also a rise in loan repayments. Mutual savings banks were the principal source of new loan funds last year, accounting for more than half the total.

Rise in consumer credit slackens

The 12 percent increase in consumer credit outstanding during 1953 compares with a 20 percent rise in 1952, when the rate of borrowing had been sharply affected by the suspension of Regulation W in May. Nearly all of the advance last year, as in 1952, occurred in installment debt, and more than two-thirds of the increase in the latter during 1953 stemmed from the financing of new and used car sales.

Installment credit seems to have been relatively a somewhat less important element in the financing of automobile sales last year than in 1952, but the expanded volume of sales was associated with a gross total of auto credit extensions during the year as a whole about 10 percent larger than during 1952. Almost all of the net expansion in auto credit outstanding occurred during the first 9 months. In the final quarter, new extensions of auto loans declined to a point only slightly above repayments as sales tapered off.

The bulk of the net expansion in installment credit during 1953 was financed by banks and sales finance companies, in about equal proportions. This distribution was in contrast to that of 1952, when bank loans had been a relatively much more important element in the expansion. On the other hand, the sales finance organizations borrowed heavily from commercial banks last year in order to handle their record volume of transactions. The amount of installment credit held by retailers showed practically no change during 1953, after a half-billion dollar increase in their holdings in 1952.

Table 5.—Gross and Net Corporate Debt, End of Calendar Year, 1945-53

(Millions of dollars)

End of year	All corporations					Railway corporations					Nonrailway corporations				
	Total	Long-term ¹	Short-term ¹			Total	Long-term ¹	Short-term ¹			Total	Long-term ¹	Short-term ¹		
			Total	Notes and accounts payable	Other			Total	Notes and accounts payable	Other			Total	Notes and accounts payable	Other
Gross Corporate Debt															
1945.....	89,033	45,221	34,202	25,718	28,484	15,911	11,874	3,637	881	2,054	84,112	33,447	50,665	24,827	25,838
1946.....	100,292	49,435	60,857	31,807	29,100	13,714	10,877	2,837	799	2,038	95,575	37,888	58,090	30,608	27,182
1947.....	128,187	54,959	73,169	37,876	35,483	15,173	11,100	3,004	904	2,100	113,084	43,839	70,105	35,772	33,303
1948.....	128,709	62,609	75,001	39,598	36,743	13,685	11,124	2,871	873	1,999	124,804	51,084	73,190	38,378	34,744
1949.....	139,464	67,720	71,634	37,338	34,486	13,718	11,244	2,460	788	1,097	128,544	58,470	68,868	38,589	32,790
1950.....	167,036	73,153	94,883	48,006	46,787	14,290	11,284	3,016	916	2,101	152,758	60,880	91,807	47,161	44,886
1951.....	161,540	79,323	112,317	50,100	64,217	14,181	11,046	3,085	803	2,188	177,709	68,478	109,231	56,107	54,081
1952.....	202,418	87,044	114,471	51,823	62,648	14,023	10,934	3,089	999	2,183	188,399	77,040	111,382	63,017	60,705
1953.....	211,388	85,375	110,111	50,780	55,331	13,621	10,920	3,001	885	2,016	197,565	84,366	113,230	64,006	63,306
Duplicating Corporate Debt															
1945.....	14,231	5,909	7,232	4,284	2,908	1,486	1,000	398	739	202	12,746	5,900	6,846	4,140	2,706
1946.....	15,754	7,082	8,602	4,256	3,404	1,807	1,407	340	111	229	14,947	6,625	8,322	5,145	3,177
1947.....	19,276	8,902	10,373	6,247	4,128	1,490	1,172	327	730	201	17,770	7,730	10,040	5,721	3,025
1948.....	21,919	10,323	10,008	6,416	4,178	1,490	1,205	261	121	170	19,682	9,177	10,405	6,307	4,003
1949.....	21,601	11,185	10,276	6,308	4,172	1,480	1,224	342	107	155	20,076	9,982	10,113	6,090	4,017
1950.....	24,878	12,007	12,871	7,901	4,939	1,587	1,508	281	127	104	22,421	10,741	12,080	7,804	4,316
1951.....	26,200	13,200	14,004	9,327	4,687	1,680	1,180	803	128	177	24,771	12,080	14,001	9,201	4,800
1952.....	30,750	14,769	15,981	10,281	5,779	1,682	1,184	298	128	172	29,268	13,585	15,683	10,106	6,478
1953.....	31,090	15,920	16,070	10,109	5,961	1,323	1,040	282	132	188	30,808	14,890	15,788	9,086	6,802
Net Corporate Debt															
1945.....	85,292	38,323	46,970	21,454	25,616	13,925	10,775	3,151	757	2,304	71,360	27,547	43,819	23,087	23,122
1946.....	95,438	41,343	53,195	26,411	25,784	12,907	10,410	2,497	688	1,909	80,031	30,332	49,698	25,723	23,975
1947.....	108,622	48,086	60,796	31,367	29,429	12,574	9,987	2,577	778	1,899	96,206	38,069	60,119	30,661	29,408
1948.....	117,781	52,480	65,295	32,730	32,565	12,489	9,919	2,580	751	1,839	104,282	42,657	62,715	31,079	30,706
1949.....	117,583	56,534	61,049	31,135	30,324	12,221	10,020	2,204	602	1,642	105,780	46,614	59,234	28,473	28,782
1950.....	142,038	60,140	81,912	40,105	41,807	12,723	9,086	2,725	788	1,937	120,335	50,148	70,187	33,317	30,870
1951.....	162,583	66,257	97,323	46,773	50,550	12,042	9,569	2,788	777	2,006	150,938	64,206	84,540	45,008	48,544
1952.....	171,005	73,175	98,499	51,209	47,198	12,541	9,750	2,791	780	2,011	159,124	63,425	95,699	50,512	48,187
1953.....	170,266	70,365	100,041	50,081	49,960	12,480	9,880	2,610	702	1,857	150,897	60,475	97,422	49,010	47,603

1. Long-term debt is defined as having an original maturity of 1 year or more from date of issue; short-term debt as having an original maturity of less than 1 year.

Source: U. S. Treasury Department, Internal Revenue Service; Interstate Commerce Commission; U. S. Department of Commerce, Office of Business Economics.

In appraising the 1953 expansion in consumer debt from the standpoint of the burden involved, it is important to note certain characteristics of the borrowers. There appears to have been little change in the proportion of debtor families to all families. Rather, the net new borrowing seems to have reflected chiefly an increase in average debt per borrower—especially in the higher income groups—which was perhaps associated with the greater importance of auto loans in last year's consumer credit expansion. About 1 spending unit in 8 has payments on installment debt amounting to 20 percent or more of its disposable income, according to the Federal Reserve Board survey mentioned earlier. At the same time, around one-third of all debtor units were found to have liquid assets at least sufficient to cover their short- and intermediate-term debt.

Farm debt expands

Farm debt outstanding at the end of 1953 amounted to \$17 billion, the principal change during the year having been a \$1½ billion rise in loans held or guaranteed by the Commodity Credit Corporation. These loans are included with farm production debt in table 7. Their expansion was partly offset by a decline in other types of production debt. The total of mortgage obligations rose one-half billion dollars or 7 percent.

The amount of C. C. C. loans outstanding doubled during 1953, as cotton, wheat, corn and tobacco continued in large

supply and substantial portions of these crops moved under price support. Of the \$3 billion of such loans outstanding at year-end, banks held \$1 billion directly and held certificates of interest amounting to over \$1 billion in the remainder. The rest was held by the Commodity Credit Corporation.

Prior to the crop year 1953, such certificates of interest were used only in connection with price-support lending on cotton. Last year their use was extended to other supported commodities. They were negotiable obligations of the Commodity Credit Corporation, bearing interest at 2½ to 2¾ percent, and were designed to facilitate the mobilization of bank credit as a supplement to government lending in support of farm prices.

Other production debt of farmers to banks and Federal agencies contracted last year for the first time since World War II. Such debt was down 6 percent to somewhat more than \$6 billion at year-end.

The reduction accompanied a decrease in the amount of working capital employed. Largely because of lower cattle prices, the total value of farm livestock and crop inventories other than those pledged against price support loans declined 16 percent to \$19½ billion. Moreover, building material and farm equipment purchases last year were below 1952 levels, and there seems to have been some refinancing of production credit into mortgage loans. Financial assets of farmers rose slightly to reach an aggregate of nearly \$22 billion.

Farm mortgage debt advanced 7 percent last year, to reach the highest total since 1934. The proportion of farm sales financed with the aid of borrowed funds was higher in 1953 than in 1952, and the average buyer's equity was a smaller fraction of the selling price.

Farm real estate debt at the end of the year amounted to a little over \$7½ billion, while farm realty had an estimated value of \$87½ billion after allowance for some decline in land prices during the year.

All categories of active lenders increased their holdings of farm mortgage debt during 1953. Life insurance companies, which hold over one-quarter of the total outstanding, had the highest rate of increase, and the Federal Land Banks had the next highest.

Other private debt rises

Of the two remaining categories of private debt shown in table 7, a decline in commercial obligations was more than offset by expansion in financial debt.

The commercial category represents bank loans to noncorporate nonfarm business. It includes not only regular commercial and industrial loans but also some auto, single-payment, and other consumption-type debt incurred by business proprietorships and partnerships. The downturn

in the total last year—the first since 1949—was confined to the commercial and industrial loan portion.

Loans to purchase or carry securities constitute the bulk of the financial debt shown in table 7. These loans amounted to \$5 billion at year-end, 8 percent above the total outstanding at the end of 1952. The other component of financial debt, representing policy and collateral loans of life insurance companies, rose 7 percent last year—more than in 1952 but about the same as in other recent years.

Technical Note

Gross debt is defined to include all classes of legal indebtedness except the following: (1) the deposit liability of banks and the amount of bank notes in circulation; (2) the value of outstanding policies and annuities of life insurance carriers; (3) the short-term debts among individuals and unincorporated nonfinancial business firms; and (4) the nominal debt of corporations, such as bonds which are authorized but unused, or outstanding but reacquired. Net debt for each of four sectors is defined as follows: Federal Government net debt is that owed to all other sectors of the economy except the Federal Government proper and its corporations and agencies; State and local government net debt is that owed to all other economic entities except State and local governments; corporate net debt is that owed to all other entities (including corporations) except to other corporate members of an affiliated system; and private noncorporate net (and gross) debt is the summation of all forms of legal noncorporate indebtedness except that among individuals and unincorporated nonfinancial business firms. Data showing adjustments for duplication involved in passing from gross to net debt are given in detail in tables 2, 4, and 6.

These concepts were more fully discussed in the October 1950 issue of the SURVEY. The statistical bases for the present estimates are in general similar to those used in the past. These have been explained in articles in the July 1949 and September 1949 issues of the SURVEY and in the special bulletin "Indebtedness in the United States, 1929-49" (Department of Commerce Economic Series No. 21, U. S. Government Printing Office, 1942). In the September 1949, September 1947 and September 1953 articles modifications of former procedures were noted.

This year's tables include minor technical revisions in several categories of nonfarm noncorporate debt. The series on multifamily residential and commercial mortgages has been revised to include the small amount of Federal National Mortgage Association holdings of such debt, and to correct a misallocation affecting mutual savings banks' 1945 and 1946 holdings. The allocation of nonconsumer single-payment loans between the commercial and financial categories has been modified, and nonconsumer installment credit has been included

Table 6.—Nonfarm Mortgage Debt by Borrowing and Lending Groups, by Type of Property, End of Calendar Year, 1945-53¹

(Millions of dollars)

End of year	Residential and commercial			1-4 family residential								Multifamily residential and commercial						
	Total	Corporate borrowers	Noncorporate borrowers	Total	Savings and loan associations	Life insurance carriers	Mutual savings banks	Commercial banks	HOLO	FNMA	Individuals and others	Total	Savings and loan associations	Life insurance carriers	Mutual savings banks	Commercial banks	FNMA	Individuals and others
1945	30,770	2,321	28,450	18,643	5,158	2,258	1,891	2,815	882	7	5,601	12,233	220	3,602	2,290	1,376	-----	4,745
1946	25,892	4,418	21,474	23,059	6,840	2,670	2,032	4,570	930	6	6,368	13,963	301	3,790	2,382	1,857	-----	5,372
1947	43,833	6,121	37,712	28,161	8,475	2,450	2,283	6,303	480	4	7,151	15,002	381	4,321	2,616	2,820	-----	6,126
1948	50,030	8,543	41,487	33,361	9,841	4,825	2,828	7,800	300	108	7,007	17,640	464	4,918	2,638	2,027	2	6,700
1949	57,100	8,614	48,486	27,466	11,117	6,979	3,304	7,060	291	386	8,052	19,604	408	5,768	3,361	2,780	23	7,200
1950	68,711	7,374	61,337	45,072	13,104	8,382	4,212	9,481	10	1,328	8,446	21,030	418	6,383	3,000	3,214	18	7,600
1951	78,585	8,293	70,292	51,872	14,801	10,214	5,231	10,275	-----	1,818	8,833	23,713	719	6,073	4,428	3,453	30	8,000
1952	84,002	8,923	75,079	58,684	17,590	11,806	6,104	11,280	-----	3,218	9,444	25,318	746	7,880	5,123	3,550	30	8,300
1953 P	93,351	8,789	84,562	65,908	21,042	13,806	7,373	12,025	-----	2,328	10,111	27,482	887	8,403	6,517	8,743	102	8,800

¹ Preliminary.

1. The data represent mortgage loans on commercial and residential property, and exclude real estate mortgage bonds. Multifamily and commercial property mortgages owned by corporations and held by other nonfinancial corporations are also excluded.

2. The corporate mortgage debt total is included in the total corporate long-term debt outstanding, table 6.

3. Includes portfolio loans of the Veterans' Administration.

Sources: Federal Savings and Loan Insurance Corporation; Board of Governors of the Federal Reserve System; U. S. Department of Commerce, Office of Business Economics.

Table 7.—Individual and Noncorporate Debt, End of Calendar Year, 1945-53

(Millions of dollars)

End of year	Farm and nonfarm total	Farm				Nonfarm						
		Total farm	Farm mortgage ¹	Farm production loans ²	Total nonfarm	Nonfarm mortgage			Other			
						Total	1-4 family	Multifamily and commercial	Total	Commercial (non-farm)	Financial ³	Consumer
1945	55,422	7,280	4,780	2,490	47,572	26,955	17,610	9,330	29,417	4,425	10,320	5,045
1946	60,606	7,052	4,897	2,155	53,554	32,443	21,900	10,543	31,511	5,228	10,288	5,384
1947	71,339	8,619	5,004	3,615	62,729	38,732	26,753	11,979	22,097	7,614	4,813	11,670
1948	85,381	10,793	5,288	5,505	72,671	45,007	31,808	13,400	27,604	8,073	5,120	14,411
1949	93,446	12,028	5,579	6,448	81,417	50,580	38,021	15,800	36,831	7,757	5,970	17,104
1950	100,181	12,220	6,071	6,148	90,631	60,337	42,818	16,518	37,594	9,918	6,803	20,873
1951	120,391	13,947	6,888	6,959	106,774	67,383	49,278	18,105	30,382	11,212	6,082	21,483
1952	136,082	16,113	7,154	7,959	120,806	75,079	58,790	16,320	45,480	12,181	7,478	25,827
1953	148,358	16,758	7,600	8,093	132,597	85,573	62,014	20,868	49,025	12,080	8,048	28,895

1. Includes regular mortgages, purchase-money mortgages, and sales contracts.

2. Includes agricultural loans to farmers and farmers' cooperatives by institutional lenders; farmers' financial and consumer debt is included under the "nonfarm" categories.

3. Comprises debt owed to banks for purchasing or carrying securities, customers' debt

to brokers, and debt owed to life insurance companies by policyholders.

Sources: U. S. Department of Agriculture, Agricultural Research Service; Board of Governors of the Federal Reserve System; U. S. Department of Commerce, Office of Business Economics.

In commercial debt totals. These revisions are relatively small in the aggregate and have not been carried back beyond 1945.

Other revisions for recent years have resulted from the incorporation of additional basic data not previously available.

In table 4, the distribution of local government debt by types of civil divisions shown for

1950 and subsequent years is not strictly comparable with that shown for 1940 and earlier years because of changes in the Bureau of the Census classification of these units, particularly cities and special districts. (See "Governmental Debt in 1951," Bureau of the Census, December 1951.)

Debt statistics for 1944 and earlier years are given in the *SURVEY* issue of September 1953.

National Income and Corporate Profits

(Continued from p. 6)

major airplane manufacturers' profits up from last year, the total for transportation equipment other than autos was much less affected than were profits of the other industries in the metals group. Among the nonmetals, sharp relative declines took place in the lumber and furniture industries.

The nondurables group total was off 13 percent. Petroleum refining and food, which together accounted for about two-fifths of total profits in this group in the first half of 1953,

showed only fractional declines. Chemicals, which had earned one-fourth of the total nondurables profits, were down about 15 percent. Profits in paper and printing were off relatively somewhat less, while decreases in most other nondurables industries ranged higher, being sharpest in textiles and apparel.

Apart from the variation between the durables and nondurables groups, there has been some difference also between the profits experience of small and large manufacturing companies since mid-1953. The initial decline in total before-tax profits of small corporations in most industries appears to have been comparatively sharp, but their relative position has subsequently tended to improve.

Profits in transportation have been reduced not only by the decline in revenue consequent upon reduced shipments of durables and basic materials but also by the gradual rise in emergency amortization charges on defense facilities. Table 4 reflects the characteristic volatility of profits in this industry, in which fixed costs normally take a large fraction of total revenues.

In the communication and public utilities group, the up-trend of total profits has been sustained by the general economic growth and a backlog of unfilled demand, to meet which an extensive program of facilities expansion is being carried forward.

Profits in the "all other" group shown in table 4 have been lower in the first half of this year. The largest single factor in their decline was a drop in trade profits with the softening in the market for automobiles.

Table 4.—Corporate Profits Before Tax, by Major Industries, Half-yearly, 1950-54

(Billions of dollars, unadjusted for seasonal variation)

	1950		1951		1952		1953		1954
	1st half	2d half	1st half	2d half	1st half	2d half	1st half	2d half	
All industries, total.....	15.2	24.7	21.7	12.5	15.3	18.9	21.1	16.3	17.4
Mining.....	.0	.8	.7	.7	.0	.6	.0	.7	.7
Manufacturing.....	9.0	14.2	12.5	11.0	10.4	10.0	12.3	9.5	9.6
Durable-goods industries.....	5.2	8.0	7.0	6.3	6.1	5.7	7.6	5.3	5.4
Nondurable-goods industries.....	3.8	6.2	5.5	4.7	4.3	4.3	4.7	4.2	4.1
Transportation.....	.0	1.4	.9	1.1	.9	1.1	1.0	.8	.4
Communications and public utilities.....	1.1	1.1	1.3	1.3	1.0	1.5	1.8	1.7	1.9
All other industries.....	4.0	7.2	5.3	5.3	4.9	5.7	5.4	5.7	4.8

Source: U. S. Department of Commerce, Office of Business Economics.

Foreign Grants and Credits

(Continued from p. 18)

tute direct transfer of surplus agricultural commodities to foreign countries for famine relief. This Act also facilitates greater Government donation of commodities through the private voluntary relief organizations and additional credits and military grants with foreign currencies obtained from the sale of surplus agricultural commodities.

Technical Note

The measure of foreign grants and credits generally is in terms of goods delivered or shipped by the United States Government, services rendered by the United States Government, or cash disbursed by the United States Government to or for the account of a foreign government or other foreign entity. Return of grants and principal collections are measured in similar fashion.

For security reasons military aid furnished under the national security program cannot be shown by country, but only by areas as designated in authorizing legislation. Transfers of

military assistance generally reflect the area of commitment of the equipment; in particular data for Asia and the Pacific include shipments to Indochina while those for Western Europe include shipments to France, a part of which may have replaced equipment used by the French forces in Indochina. Military aid to Europe includes supplies, services, and contributions to the multilateral construction program of the North Atlantic Treaty Organization. The latter item is treated in the balance-of-payments computations as a military purchase of services rather than a grant (see *SURVEY*, August 1954, p. 8).

Grants include agricultural surpluses donated by the Government for distribution abroad through American voluntary relief agencies. Credits include some which have been extended by the United States Government to private entities in the country specified, in some instances with the guaranty of the foreign government indicated.

"Military equipment loans" are included as part of military grants; these "loans" are essentially transfers on an indefinite-term basis, generally requiring only the return of the identical item, if available. In essence, this was the requirement pertaining to wartime lend-lease transfers of war materiel, which were similarly treated in these statistics. Values netted at time of return are not necessarily equal to the original "loan" value.

Data are based upon reports submitted by operating agencies of the United States Government. Some figures given for grants are partly estimated. Data for 1954 are preliminary.

Further definition and explanation of these data are contained in the *Foreign Aid* supplement of the *SURVEY OF CURRENT BUSINESS*, published in November 1953, and available at \$1.00 from the Superintendent of Documents, Washington 25, D. C., or the various Department of Commerce field offices.